

**REPORT OF THE AUDIT OF THE
MCCREARY COUNTY
SHERIFF**

**For The Year Ended
December 31, 2005**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MCCREARY COUNTY SHERIFF

**For The Year Ended
December 31, 2005**

The Auditor of Public Accounts has completed the McCreary County Sheriff's audit for the year ended December 31, 2005. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$4,716 from the prior year, resulting in excess fees of \$4,716 as of December 31, 2005. Revenues increased by \$20,563 from the prior year and expenditures increased by \$15,847.

Report Comments:

- Auto Inspections Were Not Properly Accounted For
- The Sheriff Had A Deficit Of \$959 In His Official Account
- The Sheriff Should Pay Invoices Timely And Avoid Paying Late Payment Charges
- The Sheriff Did Not Pay License To Carry Concealed Deadly Weapon Fees To The State Treasurer Monthly
- The Sheriff Participated In Related Party Transactions
- The Sheriff's Office Lacks Adequate Segregation Of Duties

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Blaine Phillips, McCreary County Judge/Executive
Honorable Clarence Perry, McCreary County Sheriff
Members of the McCreary County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of McCreary County, Kentucky, for the year ended December 31, 2005. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2005, in conformity with the regulatory basis of accounting described in Note 1.

The schedule of excess of liabilities over assets is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated August 30, 2006 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Blaine Phillips, McCreary County Judge/Executive
Honorable Clarence Perry, McCreary County Sheriff
Members of the McCreary County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- Auto Inspections Were Not Properly Accounted For
- The Sheriff Had A Deficit Of \$959 In His Official Account
- The Sheriff Should Pay Invoices Timely And Avoid Paying Late Payment Charges
- The Sheriff Did Not Pay License To Carry Concealed Deadly Weapon Fees To The State Treasurer Monthly
- The Sheriff Participated In Related Party Transactions
- The Sheriff's Office Lacks Adequate Segregation Of Duties

This report is intended solely for the information and use of the Sheriff and Fiscal Court of McCreary County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
August 30, 2006

MCCREARY COUNTY
CLARENCE PERRY, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2005

Revenues

Federal Grants		\$	10,500
State Grants			6,417
State - Kentucky Law Enforcement Foundation Program Fund			9,261
State Fees For Services:			
Finance and Administration Cabinet	\$	69,039	
Sheriff Security Service		12,365	
Cabinet For Human Resources		<u>873</u>	82,277
Circuit Court Clerk:			
Fines and Fees Collected			3,166
Fiscal Court			10,428
County Clerk - Delinquent Taxes			1,517
Commission On Taxes Collected			92,520
Fees Collected For Services:			
Auto Inspections		9,204	
Accident and Police Reports		377	
Serving Papers		8,730	
Carrying Concealed Deadly Weapon Permits		<u>7,500</u>	25,811
Other:			
Adanta		3,510	
ASAP Champions Reimbursement		10,725	
Miscellaneous		5,849	
Add-On Fees		27,804	
Sheriff's Advertising Fees		2,280	
State Delinquent Taxes		<u>1,984</u>	52,152
Interest Earned			183
Borrowed Money:			
State Advancement		40,710	
Personal Loan From Sheriff		<u>10,000</u>	<u>50,710</u>
Total Revenues			<u>344,942</u>

The accompanying notes are an integral part of this financial statement.

MCCREARY COUNTY
 CLARENCE PERRY, SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2005
 (Continued)

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries \$ 99,112

Clerk's Salary 18,203

Employee Benefits-

Employer's Share Social Security 13,499

Employer's Share Retirement 12,397

Employer Paid Health Insurance 15,541

Worker's Compensation and Unemployment Insurance 14,900

Contracted Services-

Advertising 526

Materials and Supplies-

Office Materials and Supplies 2,986

Uniforms 6,908

Auto Expense-

Gasoline 28,406

Maintenance and Repairs 5,486

Other Charges-

Conventions and Travel 591

Fugitive Transport 79

Postage 120

Bond 137

Carrying Concealed Deadly Weapon Permits 5,215 \$ 224,106

Debt Service:

State Advancement 40,710

Repayment of Personal Loan To Sheriff 10,000 50,710

Total Expenditures 274,816

Less: Disallowed Expenditures 64

Total Allowable Expenditures 274,752

Net Revenues 70,190

Less: Statutory Maximum 65,474

Excess Fees Due County for 2005 at Completion of Audit \$ 4,716

The accompanying notes are an integral part of this financial statement.

MCCREARY COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2005

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2005 services
- Reimbursements for 2005 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2005

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MCCREARY COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2005
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent for the first six months and 10.98 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of December 31, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Drug Control Account

A drug control account was opened on April 29, 1994 with forfeited drug money. This money is restricted and may only be used for drug control. The balance as of January 1, 2005 was \$1,925. During the period, the Sheriff received \$55,720. Expenditures were \$33,879. The unexpended balance of the account was \$23,766 as of December 31, 2005. These funds are not available in the determination of excess fees.

MCCREARY COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2005
(Continued)

Note 5. Federal Asset Forfeiture Account

The McCreary County Sheriff maintained a Federal Asset Forfeiture Account. The grant agreement states that "priority should be given to supporting community policing activities, training, and law enforcement operations calculated to result in further seizures and forfeitures." The balance as of January 1, 2005 was \$20. During the period, the Sheriff received no monies and expended no monies. Ending balance as of December 31, 2005 was \$20.

Note 6. Overtime Grant LLEB-563-03

The McCreary County Sheriff opened a bank account in November 2003 for funds received under an overtime grant from the Kentucky Justice and Public Safety Cabinet. The balance as of January 1, 2005 was \$488. For the period, the Sheriff received no monies. Expenditures were \$488. The ending balance as of December 31, 2005 was \$0.

Note 7. Related Party Transactions

During the year ended December 31, 2005, the McCreary County Sheriff's Office expended a total of \$17,915 to purchase six automobiles and a radio from Smith's Auto Body. An employee of the McCreary County Sheriff's Office owns Smith's Auto Body. Because of the nature of the relationship between the business and the employee, these transactions are considered related party transactions. In addition, during the year, the McCreary County's Sheriff's Office also purchased an automobile from a special deputy for \$4,150. This transaction is also considered a related party transaction.

Note 8. Subsequent Events

In January 2006, the McCreary County Sheriff's Office purchased two additional vehicles for a total of \$8,950 from Smith's Auto Body, which is owned by an employee of the McCreary County Sheriff's Office. Because of the nature of the relationship between the business and the employee, these transactions are considered related party transactions.

MCCREARY COUNTY
CLARENCE PERRY, SHERIFF
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS - REGULATORY BASIS

December 31, 2005

Assets

Cash in Bank		\$	44,051
Deposits in Transit			7
Receivables:			
Salary Reimbursement	\$	2,333	
Automobile Insurance Payment		550	
Fuel Reimbursement		225	
December Tax Commissions		15,132	
Delinquent Tax		903	
Interest		138	
Arrest Fees		415	
Kentucky Law Enforcement Foundation Program Fund		1,147	
Adanta		332	
Forest Service Contract		1,350	
Fiscal Court Transport		2,599	
State Fee Claims		10,599	
Due From 2004 Fee Account		6,041	41,764
			<hr/>
Total Assets			85,822

Liabilities

Paid Obligations:			
Outstanding Checks			12,525
Liabilities Paid After December 31, 2005			
Kentucky State Treasurer-			
Advancement Repayment		40,710	
Concealed Carry Deadly Weapons		5,215	
Training Expense		442	
Retirement		99	
Uniforms and Equipment		2,072	
Maintenance and Repair		1,113	
Gasoline		2,218	
Office Supplies		2,109	
Travel Expense		124	
Advertising		526	
Legal Fees		25	54,653
			<hr/>
Total Paid Obligations			67,178

MCCREARY COUNTY
CLARENCE PERRY, SHERIFF
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS - REGULATORY BASIS
December 31, 2005
(Continued)

Liabilities (Continued)

Unpaid Obligations:

Repayment of Personal Loan To Sheriff	\$ 10,000
McCreary County Treasurer -	
Road Fund Fuel Reimbursement	4,887
Excess Fees - 2005	<u>4,716</u>

Total Unpaid Obligations	<u>\$ 19,603</u>
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Total Liabilities	<u>86,781</u>
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Total Fund Deficit as of December 31, 2005	<u><u>\$ (959)</u></u>
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COMMENTS AND RECOMMENDATIONS

MCCREARY COUNTY
CLARENCE PERRY, SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2005

STATE LAWS AND REGULATIONS:

Auto Inspections Were Not Properly Accounted For

Based on records in the County Clerk's office, we determined that the Sheriff's office inspected a total of 1,341 vehicles that were licensed in McCreary County during 2005 in accordance with KRS 186A.115. Of this number, no receipts were issued and no funds were deposited for 179 of these inspections. KRS 186A.115(1)(a) states, "Except as otherwise provided in this section, the owner of every vehicle brought into this state and required to be titled in this state shall, before submitting his application for title to the county clerk, have the vehicle together with his application for title and its supporting documentation, inspected by a certified inspector in the county in which the application for title is to be submitted to the county clerk. The certified inspector shall be certified through the Department of Vehicle Regulation following requirements set forth by the department by regulation and shall be designated by the county sheriff. The certified inspector will be held responsible for all certifications required pursuant to this chapter, and shall be liable for any and all penalties prescribed in this chapter, and shall be available during office hours at any and all offices and branches that issue applications for titles." KRS 186A.115(b) states, "There shall be a five (\$5) fee for this certification payable to the sheriff's office, upon completion of certification." Based on this statute, the Sheriff's office should have collected an additional \$895 for auto inspections during 2005. We have included the additional \$895 for auto inspections in the Statement of Revenues, Expenditures, and Excess Fees, which resulted in additional excess fees owed to the county.

We further remind the Sheriff that KRS 134.160(2) requires the Sheriff to keep an accurate account of all moneys received. We recommend proper fees for auto inspections be collected, accurately accounted for, and deposited in the Sheriff's official bank account daily.

Sheriff's Response: None

The Sheriff Had A Deficit Of \$ 959 In His Official Account

Based on our audit, the Sheriff had a deficit in his 2005 fee account in the amount of \$959. This deficit was the result of undeposited receipts for auto inspections totaling \$895 and disallowed expenditures for service charges of \$64 incurred by the Sheriff due to late payment of invoices. We recommend that the Sheriff deposit personal funds of \$959 to eliminate this deficit.

Sheriff's Response: None

The Sheriff Should Pay Invoices Timely And Avoid Paying Late Payment Charges

Per Technical Audit Bulletin #93-001, penalty charges for late payments are subject to an audit comment relating to Ky Const. S 173; KRS 61.190 (repealed and replaced with KRS 522.050) and 132.601(1); and Funk v. Milliken, 317 S.W.2d 499(KY 1958). During our testing of expenditures, we found that numerous invoices were not paid in a timely manner. Late payment charges totaling \$64 were paid on three invoices. These charges are disallowed. We recommend invoices be paid timely in order to avoid these late charges.

Sheriff's Response: None

MCCREARY COUNTY
CLARENCE PERRY, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2005
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

The Sheriff Did Not Pay License To Carry Concealed Deadly Weapon Fees To The State Treasurer Monthly

During the audit we noted that the Sheriff did not pay fees collected for License To Carry Concealed Deadly Weapons to the State Treasurer in a timely manner. During 2005, the Sheriff collected a total of \$7,500 for License To Carry Concealed Deadly Weapons fees of which a total of \$5,215 was due to the State Treasurer. Although the Sheriff's office was billed on a monthly basis for the fees due to the State Treasurer, the monthly bills for January through August of 2005 were not paid until February 20, 2006. Monthly bills for September and October of 2005 were not paid until March 23, 2006, and the monthly bills for November and December of these payments were not made in a timely manner. The Sheriff's bookkeeper stated that the Sheriff's office retained these funds to ensure that there were sufficient funds to pay operating expenses of the Sheriff's office throughout the year. We recommend that the Sheriff make proper disposition of License To Carry Concealed Deadly Weapons fees to the State Treasurer in the future.

Sheriff's Response: None

The Sheriff Participated In Related Party Transactions

During 2005, the Sheriff expended \$17,915 to purchase seven (7) used police cruisers and a used mobile radio from Smith Auto Body. The Sheriff's chief deputy owns Smith Auto Body. In addition, the Sheriff purchased another cruiser from a special deputy for \$4,150. The Sheriff has subsequently purchased two (2) additional police cruisers from Smith Auto Body for a total of \$8,950 during 2006. The County's code of ethics states:

- A. No county government officer or employee or member of his immediate family shall have an interest in a business organization or engage in any business, transaction, or professional activity which is in substantial conflict with the proper discharge of his duties in the public interest.
- B. No county government officer shall use or attempt to use his official position to secure unwarranted privileges or advantages for himself.

We recommend that the McCreary County Ethics Commission review these transactions for appropriateness.

Sheriff's Response: None

MCCREARY COUNTY
CLARENCE PERRY, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2005
(Continued)

INTERNAL CONTROL - REPORTABLE CONDITION/MATERIAL WEAKNESS:

The Sheriff's Office Lacks Adequate Segregation Of Duties

The Sheriff's office has a lack of segregation of duties. Due to the entity's diversity of official operations, small size and budget restrictions, the official has limited options for establishing an adequate segregation of duties. We recommend that the following compensating controls be implemented to offset this internal control weakness:

- The Sheriff should periodically compare a daily bank deposit to the daily checkout sheet and then compare the daily checkout sheet to the receipts ledger. Any differences should be reconciled. He could document this by initialing the bank deposit, daily checkout sheet, and receipts ledger.
- The Sheriff should compare the quarterly financial report to receipts and disbursements ledgers for accuracy. Any differences should be reconciled. The sheriff could document this by initialing the quarterly financial report.
- The Sheriff should periodically compare invoices to payments. The Sheriff could document this by initialing the invoices.
- The Sheriff should periodically compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled. The Sheriff could document this by initialing the bank reconciliation and the balance in the checkbook.

Sheriff's Response: None

PRIOR YEAR:

In the prior year audit report, the following comments and recommendations were reported and not corrected:

- The Sheriff's Office Lacks Adequate Segregation Of Duties
- Auto Inspections Were Not Properly Accounted For
- The Sheriff Had A Deficit Of \$1,240 In His Official Bank Account

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Blaine Phillips, McCreary County Judge/Executive
Honorable Clarence Perry, McCreary County Sheriff
Members of the McCreary County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the McCreary County Sheriff for the year ended December 31, 2005, and have issued our report thereon dated August 30, 2006. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the McCreary County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying comments and recommendations.

- The Sheriff's Office Lacks Adequate Segregation Of Duties

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the McCreary County Sheriff's financial statement for the year ended December 31, 2005, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- Auto Inspections Were Not Properly Accounted For
- The Sheriff Had A Deficit Of \$959 In His Official Account
- The Sheriff Should Pay Invoices Timely And Avoid Paying Late Payment Charges
- The Sheriff Did Not Pay License To Carry Concealed Deadly Weapon Fees To The State Treasurer Monthly
- The Sheriff Participated In Related Party Transactions

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
August 30, 2006

